

ON DECK FOR TUESDAY, JULY 21

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	07/21	08:30	Retail Sales (m/m)	May	22.0	20.0	-26.4
CA	07/21	08:30	Retail Sales ex. Autos (m/m)	May	14.0	11.9	-22.0

KEY POINTS:

- Stocks up as EU acts, US talks
- EU approves recovery fund
- CDN retail sales on tap
- A\$ leads on fiscal extension and RBA jawboning
- US quiet

INTERNATIONAL

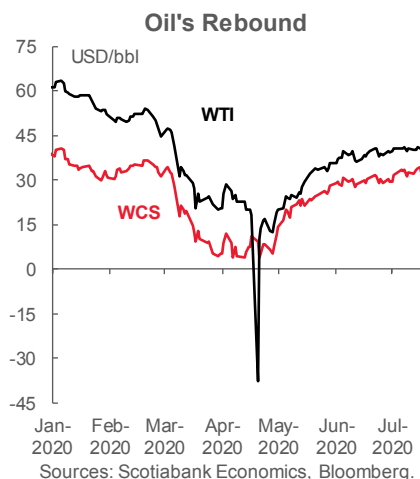
The EU passed its stimulus act and at least they're talking about doing so in the US before the August recess although President Trump appears unfocused in his stimulus targets which may limit success. Both considerations are at least partly behind another risk-on move across global markets. The A\$ is outperforming on fiscal extensions and RBA jawboning. Canada updates a couple of months of retail sales figures that should provide a tentatively complete Q2 picture of a substantial rebound. The US calendar should be quiet.

- US and Canadian equity futures are up by about ¾% on balance. European cash markets are up by as much as 2% in Italy given that country's status as the biggest beneficiary of the EU fund.
- Sovereign yields are generally little changed with Italian spreads over bunds narrowing a bit further because of the EU agreement that was reached overnight.
- Oil prices are up by about 3% in terms of Brent and WTI. Western Canada Select—a proxy for heavy crude—is holding in around the US\$31½ range compared to the low of under \$4 in late April and the mid-30s range before widespread shut downs in March.
- The USD is little changed as the biggest currency movers are either guided by idiosyncratic factors (A\$) or higher commodities (CAD, Mexican peso, krone etc).

The EU approved the €750B Next Generation EU fund overnight. The loans versus grants portion is roughly even at €360B versus €390B respectively. That's less than initially proposed when the grants component was supposed to be €500B but it was watered down somewhat to appease opponents like Sweden, Austria, the Netherlands and Denmark. Of the €390B in grants, €312B is comprised of the Recovery and Resilience Facility that requires reform plans as the quid pro quo for disbursements tied to harm done by the covid-19 virus. To bring the northern states onside, a mechanism was added to allow them to object to disbursements that would require an EU leaders review and a

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Chart 1


maximum three month delay. Debt to finance the program will be repayable by 2058 and financed in part by new environmental and digital taxes.

RBA Governor Lowe's overnight speech ([here](#)) combined with the minutes to the July 7th meeting ([here](#)) leaned against negative rates, A\$ intervention and direct financing of government and resisted putting a range to the 0.25% 3 yr target that would result in bond buying to enforce the target by instead saying it was a judgement call. The government extended the wage subsidy program from the end of September to the end of March. The A\$ was among the strongest overnight currency pairs to the USD.

CANADA

In N.A., the main focus will be upon Canadian retail sales (8:30amET). Not only will we get May's results, we should also get a preliminary estimate for June that would give us a fresher overall reading. See last night's Closing Points ([here](#)) and the Global Week Ahead ([here](#)) for more detail on the retail estimates.

US markets only get the Chicago Fed's National Activity index (8:30amET) that only a few folks pay attention to; it's a lagging composite of no fewer than 85 already released data.

Fixed Income	Government Yield Curves (%):												Central Banks	
	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate	
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
U.S.	0.15	0.15	0.16	0.28	0.28	0.29	0.62	0.61	0.62	1.32	1.31	1.31	Canada - BoC	0.25
CANADA	0.28	0.27	0.28	0.36	0.35	0.35	0.53	0.51	0.53	0.99	0.98	1.04	US - Fed	0.25
GERMANY	-0.66	-0.67	-0.67	-0.66	-0.66	-0.64	-0.46	-0.46	-0.45	-0.02	-0.02	-0.03	England - BoE	0.10
JAPAN	-0.13	-0.13	-0.13	-0.11	-0.09	-0.09	0.03	0.03	0.03	0.58	0.60	0.60	Euro zone - ECB	0.00
U.K.	-0.10	-0.10	-0.10	-0.09	-0.08	-0.07	0.15	0.15	0.15	0.67	0.67	0.64	Japan - BoJ	-0.10
	Spreads vs. U.S. (bps):													
CANADA	13	12	12	7	7	6	-9	-10	-9	-33	-33	-27	Mexico - Banxico	5.00
GERMANY	-81	-82	-82	-94	-94	-93	-108	-107	-107	-134	-134	-134	Australia - RBA	0.25
JAPAN	-28	-27	-29	-39	-37	-38	-59	-58	-59	-74	-71	-71	New Zealand - RBNZ	0.25
U.K.	-25	-25	-26	-37	-36	-36	-47	-46	-47	-65	-64	-68	Next Meeting Date	
Equities	Level			Change			% change:							
	Last						1 Day	1-wk	1-mo	1-yr				
S&P/TSX	16184			60.2			0.4	3.5	4.6	-1.8			Canada - BoC	Sep 09, 2020
Dow 30	26681			8.9			0.0	2.3	3.1	-1.7			US - Fed	Jul 29, 2020
S&P 500	3252			27.1			0.8	3.1	5.0	9.2			England - BoE	Aug 06, 2020
Nasdaq	10767			263.9			2.5	3.6	8.3	32.2			Euro zone - ECB	Sep 10, 2020
DAX	13284			236.6			1.8	4.6	7.7	8.3			Japan - BoJ	Sep 17, 2020
FTSE	6295			33.5			0.5	1.9	0.0	-16.2			Mexico - Banxico	Aug 13, 2020
Nikkei	22884			166.7			0.7	1.3	1.8	6.6			Australia - RBA	Aug 04, 2020
Hang Seng	25636			577.7			2.3	0.6	4.0	-10.9			New Zealand - RBNZ	Aug 11, 2020
CAC	5159			65.5			1.3	3.0	3.6	-7.1				
Commodities	Level			Change			% change:							
WTI Crude	42.14			1.33			3.3	4.6	6.0	-24.2				
Natural Gas	1.65			0.01			0.5	-5.6	-1.2	-26.7				
Gold	1826.92			9.15			0.5	1.0	4.8	28.2				
Silver	19.44			0.28			1.5	1.8	10.9	19.2				
CRB Index	142.36			1.67			1.2	1.7	3.2	-20.3				
Currencies	Level			Change			% change:							
USDCAD	1.3459			-0.0076			-0.6	-1.1	-0.5	2.6				
EURUSD	1.1442			-0.0006			-0.1	0.4	1.6	2.1				
USDJPY	107.26			-0.0100			-0.0	0.0	0.3	-0.6				
AUDUSD	0.7081			0.0065			0.9	1.5	2.5	0.6				
GBPUSD	1.2695			0.0034			0.3	1.1	1.8	1.8				
USDCHF	0.9385			-0.0004			-0.0	-0.2	-1.0	-4.4				

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